

**Supplemental Reporting Document
Table of Contents
March 2006 Investment Committee Meeting
(January 2006 Reporting Period)**

Investment Transactions

Public Employees Retirement Fund

Internal Programs

Real Estate Equity Transactions

AIM Program Transactions

AIM Program Items Completed Under Delegation of Authority

Risk Managed Absolute Return Strategies Program Items Completed

Under Delegation of Authority

CURRENT STATUS OF ALL COMPLETED CALPERS REAL ESTATE EQUITY TRANSACTIONS FOR DECEMBER 2005

| ADVISOR | PROPERTY TYPE | PROPERTY NAME | CITY | STATE | MOST RECENT APPRAISED VALUE * | ACQUISITION DATE ** | DISPOSITION DATE ** | HISTORIC COST * | CALPERS EQUITY SHARE OF TRANSACTION AMOUNT | ESTIMATED AFTER FEE IRR * | STATUS/ COMMENTS |
|---------------------|---------------|-------------------------------|-------------|-------|-------------------------------|---------------------|---------------------|-----------------|--|---------------------------|------------------|
| <u>DISPOSITIONS</u> | | | | | | | | | | | |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 10/26/01 | 12/02/05 | N/A | 6,508,404 | N/A | Disposition |
| Calsmart/Rreef | CURE | Rye Canyon, Lots 24-109 - p/s | Valencia | CA | N/A | 08/13/03 | 12/05/05 | N/A | 705,112 | N/A | Disposition |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 10/26/01 | 12/09/05 | N/A | 7,628,517 | N/A | Disposition |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 10/26/01 | 12/16/05 | N/A | 3,578,160 | N/A | Disposition |
| Buchanan | CURE | Victoria Palms Villas | Indio | CA | N/A | 05/13/04 | 12/16/05 | 10,537,985 | 12,532,218 | 18.0% | Disposition |
| GID/Windsor | Apartment | Windsor at Town Brooke | Middletown | CT | 29,607,900 | 01/31/00 | 12/22/05 | 21,761,668 | 16,087,796 | 24.2% | Disposition |
| GID/Windsor | Apartment | Windsor at Town Ridge | Middletown | CT | 29,178,800 | 01/31/00 | 12/22/05 | 21,492,398 | 19,740,693 | 29.1% | Disposition |
| CalEast/LaSalle | Industrial | Chicago Land Holdings - p/s | Bolingbrook | IL | N/A | 07/01/01 | 12/22/05 | N/A | 1,256,086 | N/A | Disposition |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 10/26/01 | 12/27/05 | N/A | 3,689,922 | N/A | Disposition |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 10/26/01 | 12/30/05 | N/A | 2,203,474 | N/A | Disposition |
| Blackrock Realty | Apartment | Reflections on Camelback | Phoenix | AZ | 37,810,000 | 03/10/04 | 12/01/05 | 37,497,173 | 55,361,380 | 66.2% | Disposition |
| Kennedy Associates | CURE | Burbank Airport Plaza | Burbank | CA | N/A | 12/22/99 | 12/30/05 | 23,263,813 | 24,682,057 | 6.9% | Disposition |
| Kennedy Associates | CURE | Montpelier II | Columbia | MD | N/A | 06/01/00 | 12/07/05 | 16,749,446 | 23,258,868 | 15.0% | Disposition |
| Total : | | | | | 96,596,700 | | | 131,302,483 | 177,232,686 | | |

ACQUISITIONS ***

| | | | | | | | | | | | |
|------------------|------------|------------------------------|-----------|----|-----|----------|-----|-----|-------------|-------|-------------|
| Hines NOP | Office | 910 Travis - Bank One Center | Houston | TX | N/A | 12/14/05 | N/A | N/A | 41,723,578 | 18.9% | Acquisition |
| CalWest/Rreef | Industrial | WestPark Portfolio | Redmond | WA | N/A | 12/15/05 | N/A | N/A | 109,978,152 | 8.4% | Acquisition |
| CalEast/LaSalle | Industrial | NATM - 3639 Benson Avenue | Baltimore | MD | N/A | 12/22/05 | N/A | N/A | 2,785,000 | 10.1% | Acquisition |
| Blackrock Realty | Apartment | Estates at Cougar Mountain | Issaquah | WA | N/A | 12/29/05 | N/A | N/A | 46,264,430 | 7.7% | Acquisition |
| Blackrock Realty | Apartment | Reflections at Marymoor | Redmond | WA | N/A | 12/29/05 | N/A | N/A | 43,009,760 | 7.6% | Acquisition |
| Total : | | | | | | | | | 243,760,920 | | |

Footnotes

- * The most recent appraised values and historic cost values represent CalPERS' share only.
- * Based upon data provided by partners.
- ** Based on funding settlement date.
- *** See brief descriptions - As attached.

NEW ACQUISITION SUMMARY

Advisor Name: Hines - National Office Partners Limited Partnership

Property Name: 910 Travis (Bank One Center)

City, State: Houston, TX

Ownership: National Office Partners Limited Partnership (CalPERS: 98%)

Acquisition Date: December 14, 2005

Total Project Size: 822,078 gross area

Net rentable area: 734,743 sq. ft. but shrinking to approximately 542,259 after construction of garage (scheduled completion in early 2007)

Project Purchase Price*: \$41,723,578

Property Highlights/Investment Summary:

Superbly and centrally located in the heart of the CBD bound by four major ingress/egress arteries; Travis (north bound), Milam (south bound), McKinney (east bound) and Walker (west bound). The Project is one block west of the Main Street Metro Line Rail stop.

The property is located at the epicenter of the Pedestrian Tunnel System. The Tunnels service all key areas of CBD with retail and service amenities as well as convenient all-weather connections.

The building was built in 1956 and renovated between 1992 and 1994 at a cost of \$27 million

The Project has functionally rectangular floorplates that can be efficiently utilized by either multi or single-tenant office users.

Projected Leveraged After Fee Internal Rate of Return: 18.9%.

*Represents CalPERS' share only.

NEW ACQUISITION SUMMARY

Advisor Name: RREEF

Property Name: WestPark Portfolio

City, State: Redmond, Washington

Ownership: 100% Fee Simple by CalWest Industrial Properties

Acquisition Date: December 15, 2005

Total Project Size: 41.4 acres

Net rentable area sf: 776,806 sf

Project Purchase Price*: \$109,978,152

Property Highlights/Investment Summary:

The WestPark portfolio consists of 3 adjacent properties totaling 776,806 square feet of flex and warehouse space in 21 buildings. The properties were built between 1986 and 1992 and are 70% leased to 80 tenants. Overall office/warehouse ratio is 74%/26%.

The projected after fee unleveraged IRR is 8.43%.

*Represents CalPERS' share only.

NEW ACQUISITION SUMMARY

Advisor Name: LaSalle Investment Management
Property Name: NATM – 3639 Benson Avenue
City, State: Baltimore, Maryland
Ownership: CalEast NAT, LLC
Acquisition Date: December 22, 2005
Net rentable area sf: 31,800 rentable square feet
Project Purchase Price*: \$2,785,000

Property Highlights/Investment Summary:

The property is located in Baltimore, MD at the intersection of Benson and Excelsior Avenues. This location has excellent access to BWI Airport and the major interstates in the Corridor including I-295 and Route 1.

The terminal is strategically located in the B-W Corridor and fronts I-95, the north-south interstate connecting Baltimore and Washington. This location is the primary terminal market in the B-W Corridor and consists of 31 terminals totaling 1,681 doors. According to our third party research consultant, Research Associates, the vacancy rate in the terminal submarket is 8.6%.

The property is a 62-door, cross-dock truck terminal situated on 6.0 acres. The 31,800 square foot property was built in 1985 and consists of a 23,000 square foot warehouse and a 2-story, 8,800 square foot attached office.

The terminal is 100% leased to Pitt Ohio Express.

The subject property is 100% leased to Pitt Ohio Express through June 30, 2012. The monthly base rent is \$24,396 (\$393 / door) NNN and includes annual escalations equal to 2.5%. Pitt Ohio is a privately owned LTL carrier headquartered in Pittsburgh, PA. The company was founded in 1919 and services the entire Mid-Atlantic region including Ohio, Virginia, Detroit and Chicago. Pitt Ohio operates 20 terminals nationwide and in FY 2004 the company reported annual revenues of approximately \$210 million.

Projected Leveraged After Fee Internal Rate of Return: 10.1%.

*Represents CalPERS' share only.

NEW ACQUISITION SUMMARY

Advisor Name: BlackRock Realty

Property Name: Estates at Cougar Mountain

City, State: Issaquah, WA

Ownership: CalPERS' ownership: 95%

Acquisition Date: December 29, 2005

Total Project Size: 247 units

Net rentable area square feet: 261,610 square feet

Project Purchase Price*: \$46,264,430

Property Highlights/Investment Summary:

The Estates at Cougar Mountain is a 247-unit Class A apartment community developed by JPI and completed in 2003. The project consists of 14 two-, three- and four-story wood-framed buildings plus a one-story clubhouse/leasing facility and below grade parking garage and detached garage units.. The property consists of 27 three-bedroom town-home units with attached garages in addition to the one-and two-bedroom unit product types.

The property is the premier apartment community, located on the eastern side on Cougar Mountain Wildland Park. This area commonly known as Cougar Mountain East Village is part of a 627-acre master planned community in the rapidly growing city of Issaquah. The property is located three minutes south of Interstate 90 providing direct access to Downtown Seattle and the greater Eastside area via Interstate 405 to Bellevue and Redmond.

The property offers its residents a full fitness center, media center with theater style seating, resort-style swimming pool, and access to bike trails. Unit amenities include nine-foot ceilings, full-size washer/dryers, crown molding, built-in bookshelves and computer desks, and gas fireplaces in select units. The unit mix consists of 34% one-bedroom units, 55% two-bedroom units, and 11% three-bedroom units.

The property was approximately 89% occupied at close of escrow. The investment is projected to produce a 10-year unleveraged IRR of 8.1% before fee and 7.7% after fee.

*Represents CalPERS' share only.

NEW ACQUISITION SUMMARY

Advisor Name: BlackRock Realty

Property Name: Reflections at Marymoor

City, State: Redmond, WA

Ownership: CalPERS' ownership: 95%

Acquisition Date: December 29, 2005

Total Project Size: 230 units

Net rentable area square feet: 219,228 square feet

Project Purchase Price*: \$43,009,760

Property Highlights/Investment Summary:

The Reflections at Marymoor is a 230-unit Class A apartment community developed by JPI and completed in 2003. The project consists of 7 three- and four-story wood-framed buildings plus a one-story clubhouse/leasing facility. The property offers two product types: three levels of one- and two-bedroom flats over podium parking; and four levels of two- and three-bedroom flats with traditional garages with direct access to units on the first two floors.

The property is located within close proximity to Microsoft's Redmond headquarters and has good drive-by visibility. The property is located between two major arterials, East Lake Sammamish Parkway and Redmond Way, which have a combined daily traffic count of over 50,000 cars. The location provides immediate access to State Highway 520 and Interstate 405, allowing access to the entire Eastside and Downtown Seattle.

The property offers its residents a full fitness center, media center with theater style seating, resort-style swimming pool, children's playground, and direct access to bike trails. Unit amenities include nine-foot ceilings, full-size washer/dryers, crown molding, built-in bookshelves and computer desks, and gas fireplaces in select units. The unit mix consists of 47% one-bedroom units, 46% two-bedroom units, and 7% three-bedroom units.

The property was approximately 89% occupied at close of escrow. The investment is projected to produce a 10-year unleveraged IRR of 8.0% before fee and 7.6% after fee.

*Represents CalPERS' share only.

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - January 2006

| Partnerships | Date | Transaction | Amount |
|------------------------------------|-------------|--------------------|----------------|
| ABS Capital II. | 1.6.06 | Capital call | \$80,240.00 |
| Aisling Capital II | 1.12.06 | Capital call | \$884,855.76 |
| Alta BioPharma III | 1.31.06 | Capital call | \$1,750,000.00 |
| Alta California II - New Pool | 1.3.06 | Capital call | \$750,000.00 |
| Apollo Advisors II | 1.11.06 | Capital call | \$428,511.00 |
| Aurora | 1.3.06 | Capital call | \$30,413.00 |
| Aurora II | 1.3.06 | Capital call | \$57,733.00 |
| Banc of America | 1.13.06 | Capital call | \$2,246,574.86 |
| Belvedere II | 1.20.06 | Capital call | \$152,071.75 |
| Birch Hill III | 1.13.06 | Capital call | \$3,571,090.00 |
| Blackstone Communications Advisors | 1.27.06 | Capital call | \$288,387.00 |
| Blackstone Management V | 1.30.06 | Capital call | \$1,437,543.00 |
| CalPERS/PCG Corporate | 1.3.06 | Capital call | \$766,250.00 |
| Candover 2001 | 1.10.06 | Capital call | \$6,478,035.00 |
| Candover 2005 | 1.18.06 | Capital call | \$7,353,842.00 |
| Carlyle Mexico | 1.25.06 | Capital call | \$250,000.00 |
| Carlyle Venture II | 1.4.06 | Capital call | \$1,723,227.00 |
| CEV | 1.9.06 | Capital call | \$1,063,800.00 |
| | 1.20.06 | Capital call | \$356,950.00 |
| | 1.27.06 | Capital call | \$2,814,500.00 |
| CEV II | 1.3.06 | Capital call | \$3,500,150.00 |
| | 1.9.06 | Capital call | \$3,575,130.00 |
| | 1.17.06 | Capital call | \$3,398,770.00 |
| | 1.20.06 | Capital call | \$2,786,665.00 |
| | 1.27.06 | Capital call | \$2,517,000.00 |

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - January 2006

| Partnerships | Date | Transaction | Amount |
|------------------------|---------|--------------|-----------------|
| CEV III | 1.3.06 | Capital call | \$956,900.00 |
| | 1.13.06 | Capital call | \$1,563,100.00 |
| | 1.19.06 | Capital call | \$6,773,340.00 |
| | 1.24.06 | Capital call | \$2,266,350.00 |
| Clearstone III | 1.3.06 | Capital call | \$750,000.00 |
| Clessidra | 1.3.06 | Capital call | \$248,909.00 |
| CVC European II | 1.27.06 | Capital call | \$134,577.61 |
| DFJ Element | 1.23.06 | Capital call | \$239,950.00 |
| DFJ Frontier | 1.3.06 | Capital call | \$1,000,000.00 |
| Doyle & Boissiere | 1.6.06 | Capital call | \$122,135.00 |
| Fairview II | 1.5.06 | Capital call | \$1,500,000.00 |
| Falconhead II | 1.24.06 | Capital call | \$113,039.00 |
| FFC III | 1.3.06 | Capital call | \$122,194.00 |
| | 1.17.06 | Capital call | \$204,705.00 |
| | 1.31.06 | Capital call | \$682,349.00 |
| First Reserve X | 1.27.06 | Capital call | \$1,637,555.00 |
| FS Equity | 1.9.06 | Capital call | \$375,000.00 |
| FS Equity V | 1.31.06 | Capital call | \$25,000.00 |
| Green Equity IV | 1.3.06 | Capital call | \$456,739.09 |
| | 1.3.06 | Capital call | \$2,081,018.09 |
| ICV II | 1.3.06 | Capital call | \$195,000.00 |
| | 1.27.06 | Capital call | \$2,087,089.67 |
| ICV Partners | 1.5.06 | Capital call | \$14,159.34 |
| Insight V | 1.3.06 | Capital call | \$1,543,750.00 |
| Insight V Coinvestment | 1.3.06 | Capital call | \$1,450,000.00 |
| Ironbridge 2003/4 LP | 1.31.06 | Capital call | \$2,665,531.00 |
| KKR European II | 1.13.06 | Capital call | \$19,250,456.00 |

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - January 2006

| Partnerships | Date | Transaction | Amount |
|----------------------------------|-------------|--------------------|----------------|
| KKR Millennium | 1.24.06 | Capital call | \$438,000.00 |
| KKR Millennium [Overseas] | 1.13.06 | Capital call | \$2,537,000.00 |
| Kline Hawkes California | 1.3.06 | Capital call | \$375,000.00 |
| Kline Hawkes Pacific | 1.19.06 | Capital call | \$6,000,000.00 |
| Leeds Weld IV | 1.23.06 | Capital call | \$93,819.80 |
| Levine Leichtman Deep Value | 1.13.06 | Capital call | \$1,140,983.00 |
| Levine Leichtman II | 1.13.06 | Capital call | \$578,736.00 |
| Levine Leichtman III | 1.13.06 | Capital call | \$437,500.00 |
| Lexington IV | 1.3.06 | Capital call | \$1,650,165.00 |
| Lexington V | 1.6.06 | Capital call | \$881,992.00 |
| Lime Rock III | 1.3.06 | Capital call | \$1,836,588.00 |
| Littlejohn II | 1.3.06 | Capital call | \$61,373.73 |
| Lombard Pacific | 1.20.06 | Capital call | \$618,750.00 |
| MHR Institutional Advisors | 1.4.06 | Capital call | \$1,500,000.00 |
| New Mountain Capital Partners II | 1.3.06 | Capital call | \$1,315,033.00 |
| NGEN II | 1.13.06 | Capital call | \$31,880.65 |
| Nogales Management | 1.3.06 | Capital call | \$98,839.72 |
| Oak Hill II | 1.30.06 | Capital call | \$810,147.62 |
| Oak Hill II [Cayman] | 1.30.06 | Capital call | \$71,092.23 |
| Opportunity Capital IV | 1.27.06 | Capital call | \$222,257.00 |
| Palladium Equity Partners III | 1.5.06 | Capital call | \$500,000.00 |
| Parish Capital | 1.26.06 | Capital call | \$2,130,609.00 |
| Pinnacle II | 1.17.06 | Capital call | \$5,962,500.00 |
| Provender Opportunities II | 1.25.06 | Capital call | \$375,000.00 |
| Providence Equity Offshore V | 1.11.06 | Capital call | \$8,805,953.00 |
| Providence Equity Offshore V | 1.26.06 | Capital call | \$8,072,123.00 |
| Q Street Management | 1.24.06 | Capital call | \$365,897.55 |

INTERNAL PROGRAMS
Alternative Investment Management (AIM) Program
Transactions - January 2006

| Partnerships | Date | Transaction | Amount |
|---------------------------------------|-------------|--------------------|-------------------------|
| Safeguard International | 1.5.06 | Capital call | \$137,854.10 |
| Sanderling V Biomedical | 1.3.06 | Capital call | \$3,000,000.00 |
| Skyline Qualified IV | 1.30.06 | Capital call | \$200,226.00 |
| Technology Partners Fund VII | 1.3.06 | Capital call | \$2,500,000.00 |
| Thailand Partners | 1.20.06 | Capital call | \$167,322.84 |
| THL Advisors IV | 1.3.06 | Capital call | \$106,705.00 |
| Thomas Weisel | 1.6.06 | Capital call | \$1,500,000.00 |
| Ticonderoga e-Services II | 1.25.06 | Capital call | \$245,050.00 |
| TowerBrook II | 1.3.06 | Capital call | \$797,414.00 |
| TPG Biotechnology | 1.12.05 | Capital call | \$6,117,213.00 |
| TPG IV | 1.27.06 | Capital call | \$2,586,207.00 |
| United States Power II | 1.31.06 | Capital call | \$964,127.00 |
| Welsh Carson IX | 1.18.06 | Capital call | \$2,500,000.00 |
| Yucaipa American Alliance | 1.3.06 | Capital call | \$616,281.00 |
| | 1.13.06 | Capital call | \$805,846.00 |
| Yucaipa American Special Situations I | 1.3.06 | Capital call | \$341,429.00 |
| | 1.13.06 | Capital call | \$37,090.00 |
| Yucaipa Corporate Initiatives | 1.3.06 | Capital call | \$1,204,570.00 |
| TOTAL CAPITAL CALLS | | | \$167,459,160.41 |
| TOTAL DISTRIBUTIONS | | | \$193,381,048.32 |

| INTERNAL PROGRAMS | | |
|--|---|---------------------|
| Alternative Investment Management (AIM) Program | | |
| Summary of Investments Completed Under Delegated Authority | | |
| | | |
| Item | Name of Investment | Commitment |
| Attachment 1 | Ares Corporate Opportunities Fund II, L.P. | Up to \$250 million |
| Attachment 2 | Carlyle/Riverstone Global Energy & Power Fund III, L.P. | \$250 million |
| Attachment 3 | Falconhead Capital II, L.P. | \$50 million |
| Attachment 4 | Levine Leichtman Capital Partners Deep Value Fund, L.P. | \$75 million |

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Ares Corporate Opportunities Fund II, L.P.

Action:

Commit up to \$250 million to Ares Corporate Opportunities Fund II, L.P. (the "Fund")

Background:

Founded in 1997, Ares Management ("Ares" or "Firm") is a Los Angeles based investment firm with private equity and leverage finance investment activities. Ares is raising its second private equity fund, Ares Corporate Opportunities Fund II, L.P., to invest between \$50 and \$150 million in companies where the Firm can partner with management and provide flexible capital in order to create long term value. The Fund will invest in refinancing, balance sheet restructuring, growth capital, management buyouts, and reorganization transactions through a variety of securities, including subordinated debt and common equity. The Firm has approximately \$10 billion under management across investment activities.

The Fund had a closing in January 2006 and targets a fund size of \$1.5 billion of commitments.

Key Principals:

- **Antony Ressler, Founding Member and Senior Partner.** Prior to co-founding Ares, Mr. Ressler co-founded Apollo Management, L.P. in 1990 where he was a member of the original six-member management team. He jointly oversaw and led the capital markets activities of Apollo Management, L.P. and Lion Advisors, L.P., where he focused on high yield bonds, leveraged loans and other fixed income assets. Prior to Apollo, he served as a Senior Vice President in the High Yield Bond Department of Drexel Burnham Lambert Incorporated. Mr. Ressler received his MBA from Columbia University's Graduate School of Business and his BSFS from Georgetown University's School of Foreign Service.
- **John Kissick, Founding Member and Senior Partner.** Prior to establishing the Firm, Mr. Kissick co-founded Apollo Management, L.P. in 1990 and was a member of the original six-member management team. He jointly oversaw and led the capital markets activities of Apollo Management, L.P. and Lion Advisors, L.P. Before Apollo, he served as a Senior Executive Vice President of Drexel Burnham Lambert, where he began in 1975, and eventually headed its Corporate Finance Department. Mr. Kissick received his MBA from Stanford Graduates

School of Business with the highest honors and a BA in Economics from Yale University.

- **David Kaplan, Senior Partner.** Prior to joining Ares in 2003, Mr. Kaplan was a Senior Principal of Shelter Capital, where he was responsible for the investment management of the firm. Before Shelter Capital, he was affiliated with and a Senior Partner of Apollo. Prior to Apollo, Mr. Kaplan was a member of the Investment Banking Department of Donaldson, Lufkin & Jenrette Securities Corp. Mr. Kaplan received a BBA concentrated in Finance from University of Michigan School of Business Administration with high distinction.

Analysis:

- **The Firm's investment professionals have demonstrated an ability to generate attractive returns.** The first Ares private partnership managed by the Firm continues to demonstrate top quartile performance. Broadly, Ares has demonstrated an ability to generate attractive investment performance throughout the various investment platforms.
- **The Fund has a unique and differentiated investment strategy.** The Fund will offer companies a flexible source of capital that will broaden the universe of target investments. Ares likes to partner with management and generally offers innovative financing solutions that maximize the long term value of the companies.
- **Ares has an experienced investment team managing this Fund.** Ares has 15 investment professionals focused on the private equity activities of the Firm. On average, the five senior professionals have worked with each other for over 10 years. The professionals have extensive experience structuring, managing, and exiting investments through their experience with Ares and Apollo.

Litigation:

According to Ares, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from LP Capital Advisors.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Carlyle/Riverstone Global Energy and Power Fund III, L.P.

Action:

Commit \$250 million to Carlyle/Riverstone Global Energy and Power Fund III, L.P. (the "Fund").

Background:

Carlyle/Riverstone, an existing AIM partner, is raising its third institutional private equity energy related fund. Formed in 2000, Carlyle/Riverstone is a joint venture between Carlyle and Riverstone. Principals from both Carlyle and Riverstone will manage the firm.

Carlyle is a global private equity firm founded in 1987 with \$29.6 billion currently under management. Riverstone was founded in 2000 to make private equity investments in the energy and power industry. With the closing of Fund III, Carlyle/Riverstone has approximately \$5.1 billion under management.

The Fund held its final closing in February 2006 with a total of \$3.8 billion in commitments.

Key Principals:

- **Pierre Lapeyre, Co-Founder/Managing Director.** Before co-founding and spending the last five years with Riverstone, Pierre was a Managing Director for Global Energy & Power at Goldman Sachs. Pierre has a BS from the University of Kentucky and an MBA from the University of North Carolina at Chapel Hill.
- **David Leuschen, Co-Founder/Managing Director.** Before co-founding and spending the last five years with Riverstone, David was a Partner/Managing Director and Head of Global Energy & Power at Goldman Sachs. David earned an AB from Dartmouth College and an MBA from Dartmouth Amos Tuck School of Business.
- **Michael Hoffman, Managing Director.** Before spending the past two years with Riverstone, Michael was Senior Managing Director/Head of M&A at Blackstone Group. Before that, he was Managing Director/Co-Head of M&A at Smith Barney and was a management associate for the Executive Office of President Ford. Michael received a BA and MA from Northwestern University and an MBA from Harvard Business School.

Analysis:

- **The Principals can leverage considerable experience within the energy sector.** The principals managing the Fund have extensive experience with the Energy sector, as well as in sourcing, executing and managing private equity investments. Their distinctive network of contacts provides attractive, differentiated deal flow.
- **The General Partner has teamed with a differentiated group of investment partners.** The Firm invests alongside some of the most active and respected strategic investors in the industry, such as Sempra, Florida Power and Light, Xcel and Constellation.
- **The Energy sector should provide an attractive area for investment.** Driven by demand for new investment in infrastructure, the Energy sector should provide an attractive environment for private equity investors, driven by demand for new infrastructure, high oil and natural gas prices, and the continuing consolidation and rationalization of the strategic players in the sector.
- **The General Partner has demonstrated an ability to generate top quartile performance through its two predecessor Funds.** Fund II has so far delivered a 97.1% net IRR.

Litigation:

The General Partner has indicated there is no current, threatened, or pending litigation against Carlyle/Riverstone, the Principals, or any affiliated entity.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Pacific Corporate Group LLC.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Falconhead Capital II, L.P.

Action:

Commit \$50 million to Falconhead Capital II, L.P. (the "Fund")

Background:

Falconhead Capital, LLC ("Falconhead" or the "Firm") is an emerging New York-based private equity firm raising its second private equity fund, Falconhead Capital II, L.P. ("Fund"). The Fund will make control buyouts and growth investments in mid-sized companies in the leisure, lifestyle, sports and media sectors. The EBITDA for target companies will typically range from \$10 to \$30 million. Falconhead will utilize the Firm's financial, operational and strategic resources to help the Fund's businesses pursue growth opportunities and other value building strategies.

The Fund had a closing in December 2005 and targets a final fund size of \$275 million.

Key Principals:

- **David Moross, Founder and Managing Partner.** Prior to founding Falconhead, Mr. Moross was Vice Chairman and Director of Whitehall Financial Group, a private equity investment firm that invests in the leisure, financial services, oil and gas, and shipping industries. He spent 15 years with Whitehall where he was responsible for procuring, developing, executing and exiting numerous investments during his tenure. Mr. Moross earned a BA in Economics from the University of Texas at Austin.
- **David Gubbay, Partner.** Prior to joining Falconhead, Mr. Gubbay was head of Strategic Business Development for Consecro Inc. Previously, Mr. Gubbay acquired and built the business of Digital Seas International Inc., which was later sold to Maritime Telecommunications Networks, Inc. Prior to that, he served as Head of Operations at Norwegian Cruise Lines and led the corporate development and mergers and acquisitions group of Fortis Inc. Between 1982 and 1996, Mr. Gubbay was employed by Whitehall Financial Group, where he served as Chairman and CEO of Insurance Operations and President of Life Partners Group. Mr. Gubbay is a Fellow of the Institute of Chartered Accountants in England.

- **Hugh Evans, Partner.** Before joining the Firm, Mr. Evans was a Principal at Stonington Partners, where he was responsible for over \$100 million of private equity investments and was a Director of Lincoln Educational Services and Javelin Communications. Mr. Evans began his private equity career in 1992 at Merrill Lynch Capital Partners, the predecessor firm to Stonington. Mr. Evans received an AB in Government from Harvard University and an MBA from the University of Chicago.

Analysis:

- **Falconhead has developed strong relationships within the Fund's target markets.** The Firm's professionals have developed strategic relationships with key industry bellwethers in the leisure and entertainment space because of the Firm's reputation. The Fund's companies will benefit from these connects and
- **The Fund's portfolio companies will benefit from Falconhead's active ownership strategy.** Falconhead seeks to work with management to develop and implement growth strategies. This "hands on" approach will allow the funds to leverage the operational, financial, and strategic resources of the Firm.
- **The Fund has a dedicated leisure, sports, and entertainment investment strategy.** The sports and entertainment have shown rapid growth and relative independence from industry downturns. Recreation consumer expenditures have increased at 3 times the GDP rate and doubled its share to 8.6% of total personal consumption expenditures since 1970. To date, there is little competition in this space from other dedicated private equity funds.

Litigation:

According to Falconhead, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(f).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Grove Street Advisors.

**Alternative Investment Management Program
Executive Summary of Action Taken
Under Delegation of Authority**

Levine Leichtman Capital Partners Deep Value Fund, L.P.

Action:

Commit \$75 million to Levine Leichtman Capital Partners Deep Value Fund, L.P. (the "Fund").

Background:

Levine Leichtman, an existing AIM partner, is raising its fourth institutional private equity fund. Formed in 1985, Levine Leichtman has raised three funds totaling \$922.9 million in capital commitments focused on completing structured equity investments in lower middle-market companies.

In 2004, the General Partner decided to establish a separate investment team dedicated solely to the strategy contemplated by the Fund to invest in the debt securities of distressed, U.S.-based lower middle-market companies with the intention of acquiring significant equity interests through subsequent restructurings. The fund held its most recent close in February 2006 with total commitments of \$225 million.

Key Principals:

- **Lauren Leichtman, Co-founder/Managing Partner.** Prior to forming the General Partner, Ms. Leichtman spent eight years practicing law, including three years focused on securities law as a Staff attorney with the SEC. Ms Leichtman received an LLM from Columbia School of Law, a J.D. from the Southwestern School of Law and earned a B.A. in Psychology from California State University of Northridge.
- **Arthur E. Levine, Co-founder/Managing Partner.** Prior to forming the General Partner, Mr. Levine was President and Director at radio programmer Westwood One. Mr. Levine received his law degree from the Columbia School of Law and earned an MBA from the Anderson School at UCLA.
- **Robert Poletti, Managing Partner.** Prior to joining the General Partner in 1996, Mr. Poletti was responsible for managing \$200 million in subordinated debt and equity investments as VP at Kayne Anderson. Prior to that, he was a VP at Citicorp, where he originated debt financings. Mr. Poletti received his MBA from the University Of Santa Clara Graduate School Of Management and earned a B.S. in Marketing and Finance from the University of Oregon.

Analysis:

- **The Principals collectively contributed an extensive and diverse background concentrated within the distressed markets targeted by the Fund.** Pursuant to the proposed strategy of the Fund, The GP will attempt to generated returns through both the purchase of distressed securities at a significant discount to intrinsic value and the effective management of out-of-court settlements restructurings and bankruptcy proceedings filed under Chapter 11.
- **The Principals will benefit from the lower middle-market experiences of the General Partner and, specifically, the Managing Partners.** Although the Principals will maintain responsibility for the day-to-day management of the Fund, they will have access to the Managing Partners throughout both the investment evaluation and monitoring processes. Consequently, the Fund will benefit from both the distressed trading and restructuring backgrounds of the Principals and the involvement of a private equity firm with over 20 years of investment experience within the lower middle-market.
- **The General Partner maintains extensive trading and investment banking relationships and is targeting an underserved, fragmented space of the distressed market.** The Fund will initially invest in the distressed debt securities of 25 to 30 companies and as such, could potentially experience competition from numerous hedge funds and other distressed private equity firms that often position to control or manage pending restructurings.
- **The General Partner has demonstrated the ability to generate top quartile performance through its three predecessor funds.** Fund III has so far delivered a 17.4% Net IRR.

Litigation:

The General Partner has indicated there is no current, threatened, or pending litigation against Levine Leichtman Capital Partners, the Principals, or any affiliated entity.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(d).

Due Diligence Report:

Staff has received a Due Diligence Report on this transaction from Hamilton Lane.

| | | |
|---|-----------------------------|-----------------------------|
| INTERNAL PROGRAMS | | |
| Risk Managed Absolute Return Strategies (RMARS) Program | | |
| Summary of Investments Completed Under Delegated Authority | | |
| | | |
| Item | Name of Investment | Initial Contribution |
| Attachment 1 | KBC Blue Diamond Fund, L.P. | \$100 million |

**Risk Managed Absolute Return Strategies (RMARS) Program
Executive Summary of Action Taken
Under Delegation of Authority**

KBC Blue Diamond Fund, L.P.

Action:

Initial contribution of \$100 million to KBC Blue Diamond Fund, L.P. (the "Fund") on January 1, 2006.

Background:

KBC Blue Diamond Fund, L.P. (the "Fund") is a limited partnership managed by KBC alpha Asset Management, a London-based, indirect wholly-owned subsidiary of KBC Groep NV. KBC Groep is a Belgium-based banking, insurance, and financial services company with a market capitalization, as of February 2006, in excess of €32 billion. As of January 2006, KBC alpha had assets under management of approximately \$1 billion, all of which is invested in Asian-oriented funds of hedge funds.

Key Principals:

- **Neale Safaty, Chief Investment Officer.** Mr. Safaty is responsible for the fund of funds business. Prior to establishing KBC alpha Asset Management, Mr Safaty was employed by KBC Financial Products (formerly D.E. Shaw & Co up until Nov-99), a leading specialist in convertible securities and equity derivatives products (95-01). As a Director, he was head of Japanese convertible sales to U.K. and European clients. Prior to this he was a Director at BZW and responsible for Japanese convertible and warrant sales to institutional clients. He began his career at Cresvale where he initially focused on selling Japanese equity warrants and was London head of sales of Japanese product. Mr Safaty has a BSc (Hons) Business Studies degree from City University. Mr. Safaty is based in London.
- **David Walter, Senior Portfolio Manager.** Mr. Walter is responsible for research and portfolio management of the fund of fund products. Prior to joining KBC alpha Asset Management, he co-founded Arbiter Fund Managers where he established and managed a dedicated Japanese long/short equity fund (2000-02). Previously, he worked at LOCM establishing and running a Japan focused multi-strategy fund and Sanwa International where he was Head of Japanese Equity Product. His professional career commenced in

1987 at Barings Far East Securities where he was employed as a Japanese convertible and warrant trader. Mr Walter graduated from Christ Church, Oxford with a BA (Hons) degree in Modern History. Mr. Walter is based in Singapore.

- **Nick Holland, Portfolio Manager** and member of the Investment Committee. Most recently Mr Holland, as an Executive Director, ran KBC FP's Asian operation in Hong Kong. He joined D.E. Shaw & Co in 1995 as a Director and established the Asian and European convertible bond businesses. Prior to this he spent eight years at Cresvale as head of Asian convertible bond trading in both London and Hong Kong. He began his career in 1985 at Lehman Brothers as a US convertible bond trader. Mr. Holland is based in Hong Kong.
- **Amy Yau, Portfolio Manager** and member of the Investment Committee. Prior to joining KBC alpha Asset Management, Ms Yau was an Investment Analyst at Spyre Asset Management, Abbey Plc where she was responsible for hedge fund portfolio research and selection. Ms Yau began her career in 2001 at Global Fund Analysis, a division of Fortune Asset Management where she was responsible for hedge fund portfolio attribution and performance analysis. Ms Yau graduated from Nottingham University with a BA (Hons) degree in Management Studies and a MSc in Finance from Imperial College, University of London. Ms. Yau is based in London.

Analysis:

- **The Firm has a deep developed global network.** KBC alpha's team has extensive experience in the Asian markets as traders, hedge fund managers, and fund-of-hedge-fund managers. It has built a large professional network throughout the Asian-oriented hedge fund industry, not just in Asia but globally. Given the depth and breadth of its network, KBC has access to top-quality managers which have subsequently closed their funds to new investors.
- **The Fund should provide consistent returns with low volatility.** KBC alpha's primary pan-Asian fund of funds has produced annualized returns since inception of 7% with a standard deviation of less than 4% and fairly low correlation to, the relevant region-wide equity market index (MSCI AC Asia Pacific Index). Staff expects slightly lower returns from the KBC fund relative to its other Asian hedge fund investments, but with lower volatility as well, making it a good complement to, e.g., Vision Blue Diamond, L.P.

Litigation:

To the best of its knowledge and belief, there is no current, threatened or pending litigation against KBC Alternative Investment Management Ltd. (the direct parent of KBC alpha), nor KBC Financial Products UK Ltd. (the direct parent of KBC Alternative Investment Management Ltd.) that may adversely affect the KBC Blue Diamond Fund.

Delegation Resolution Compliance:

This decision complies with CalPERS Delegation Nos. 89-13 and 95-50.

Due Diligence Report:

Staff has conducted Due Diligence on this transaction with assistance from the Petra Group.